APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT FILED MARCH 19, 2004

UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

Nos. 01-2668/2721

MURRAY HILL PUBLICATIONS, INC.,

Plaintiff-Appellee/Cross-Appellant,

v.

TWENTIETH CENTURY FOX FILM CORPORATION,

Defendant-Appellant/Cross-Appellee.

August 7, 2003, Argued
March 19, 2004, Decided
March 19, 2004, Filed

JUDGES: Before: BOGGS, Chief Judge; SILER, Circuit Judge; and RICE, District Judge.*

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* The Honorable Walter Herbert Rice, United States District Judge for the Southern District of Ohio, sitting by designation.

Appendix A

OPINION

OPINION BY: BOGGS, Chief Judge.

Twentieth Century Fox Film Corporation ("Fox") appeals following a jury verdict in favor of plaintiff, Murray Hill Publications, Inc. ("Murray Hill"), in its action for copyright infringement. During the creation of the movie "Jingle All The Way" ("JATW"), Fox received from Murray Hill a submission of the screenplay for "Could This Be Christmas" ("CTBC"). After the theatrical release of JATW, Murray Hill sued Fox, alleging that the JATW movie infringed upon its copyright of the CTBC screenplay. At trial, both Fox and Murray Hill presented expert evidence to establish whether the JATW movie was substantially similar to the CTBC screenplay. After the jury returned a verdict for Murray Hill, the district court disallowed damage items representing the bulk of the jury award and denied attorney's fees to Murray Hill. On appeal, Fox argues that it was entitled to summary judgment on the issue of substantial similarity, that the trial was tainted by improper expert testimony by Murray Hill's expert witness and by misleading jury instructions, necessitating a new trial, and that the damages awarded were unsupported in law or fact. Murray Hill cross-appealed and argues that it was entitled to the full damages awarded by the jury and also to attorney's fees. We reverse because Fox was entitled to judgment as a matter of law. We do not reach the issues of the expert evidence, the jury instructions, the attorney's fees, or the damages.

Appendix A

I

The principal author of the JATW screenplay was Randy Kornfield, a Fox script reader and freelance writer of screenplays. In 1993, Kornfield tried to buy a Mighty Morphin' Power Ranger action figure as a birthday present for his son. The difficulties he encountered in this pursuit and conversations with other parents similarly engaged gave Kornfield the idea for a screenplay. On January 11, 1994, Kornfield registered his "treatment," a six-page summary of a proposed screenplay, then called "A Christmas Hunt," with the Writer's Guild of America. On July 17, he registered a fleshed-out screenplay of this treatment. Executives at the Fox Searchlight division liked the screenplay and bought it for "1492 Pictures," a production company affiliated with Fox. From November 1994 through June 1995, Kornfield worked with Fox and 1492 Pictures to revise the screenplay. In November 1995, Fox hired two more scriptwriters to continue editing and enhancing the screenplay. During this editorial process, the screenplay acquired the JATW title.

The author of the CTBC screenplay was Brian Webster, a Detroit school teacher and aspiring script writer. In 1988, inspired by his difficulties in obtaining a Golden Batman as a Christmas present for his son, Webster wrote the first draft of a screenplay, initially entitled "Action Man: The Toy," then "So This Is Christmas," and finally "Could This Be Christmas." Webster first registered this screenplay with the Copyright Office in 1989 and re-registered it in 1991. From 1989 through 1993, Webster and his agent made repeated attempts to sell this screenplay to a variety of potential producers. While Murray Hill pleaded a number of theories

on how the screenplay could have found its way to Fox during this period, the district court considered all of the theories too speculative and found that Fox did not have access to the CTBC screenplay during this period. Murray Hill does not raise this issue on appeal. Significantly, on February 4, 1994, Webster sold an option to CTBC to Murray Hill and eventually transferred all rights in CTBC to Murray Hill. On June 21, Murray Hill submitted CTBC to the Family Film division of Fox. On July 9, the CTBC screenplay was read and summarized by Rudy Romero, another Fox script reader and friend of Kornfield's. Romero was also the script reader who a few months later performed the same task for the JATW screenplay. On August 1, Fox declined the CTBC screenplay. After Fox declined the screenplay, Murray Hill made no further attempts to sell it.

At some time in February 1996, Robert Laurel, the principal of Murray Hill, read an article in *Daily Variety* about the JATW movie then in production. Concerned about the apparent similarities between JATW and CTBC, Laurel contacted his attorneys, who sent a series of cease-and-desist letters to Fox. Early settlement negotiations between Fox and Murray Hill failed over Murray Hill's unwillingness to commit to any particular theory of how and when Fox could have obtained access to the CTBC screenplay and Fox's refusal to share some of its information until Murray Hill committed to such a theory. Nevertheless, Fox proceeded with the JATW movie. On November 22, 1996, the movie was released and quickly proved to be a commercial success. As of December 2000, the JATW movie had earned $183 million.

Appendix A

On December 3, 1997, Murray Hill filed suit against Fox in the United States District Court for the Eastern District of Michigan. While this complaint alleged a multitude of theories of liability, the only claim still relevant is Murray Hill's allegation that the JATW movie infringed upon the copyright of the CTBC screenplay. The court made a finding that Murray Hill failed to establish directly that Fox had access to the CTBC screenplay at any time before Murray Hill submitted it to Fox. The case then proceeded to trial by jury. The district court instructed the jury based on the Ninth Circuit's test for judging the "substantial similarity" of copyrighted works. As the jury was deliberating, the court found that the JATW treatment, created prior to the CTBC submission, did not infringe on the CTBC screenplay.[1] However, the jury was not informed of this ruling. Four days later, the jury rendered a verdict in favor of Murray Hill. The damages included $1 million in producer's fees and $500,000 in writer's fees that Murray Hill lost because Fox did not contract with it for these services, $2 million in lost goodwill, and $500,000 in merchandising revenue Fox earned from the sales of a JATW sound track and toys. While the jury found that JATW had not yet earned any profits for Fox, it estimated Fox's future profits on JATW at $15 million and also awarded that amount to Murray Hill. Accordingly, the district court entered judgment in favor of Murray Hill in the sum of $19 million. Fox renewed its motion for judgment as a matter of law and also moved for new trial. The court granted Fox's motion for judgment as a matter of law with

1. The earlier finding did not preclude all possibility that the JATW treatment infringed, because Murray Hill had argued that the alleged "striking similarity" between the CTBC screenplay and the JATW treatment established access inferentially.

respect to all damage items except the producer's and writer's fees, thus reducing the award to $1.5 million. The court also declined to award attorney's fees to Murray Hill and entered judgment in the reduced amount. Before this court now are Fox's timely appeal and Murray Hill's timely cross-appeal.

II

To determine whether the district court erred in allowing this case to go to the jury, we must look both at the developing law of copyright as it addresses the elements of proof for copyright infringement, and to the specific elements of the two works before us. We will first lay out the framework of law, as our circuit has pronounced it (Part III); then describe the dramatic elements of the two works (Part IV); and, finally, apply the law to an assessment of the relation of the protectable elements of the copyrighted work to the overall tenor of the allegedly infringing work (Part V).

III

Title 17 of the United States Code protects owners' copyrights in creative works. 17 U.S.C. §§ 101-1332. Copyright owners have the exclusive right to reproduce the protected work, to prepare derivative works, and to distribute copies to the public. 17 U.S.C. § 106(1)-(3). In the case of infringement, the owner of a copyrighted work may seek injunctive relief, impoundment and disposition of the infringing articles, damages, infringer's profits, and legal costs, including attorney's fees. 17 U.S.C. §§ 502-505. "To succeed in a copyright infringement action, a plaintiff must establish that he or she owns the copyrighted creation,

and that the defendant copied it." *Kohus v. Mariol,* 328 F.3d 848, 853 (6th Cir.2003); *see also Feist v. Rural Tel. Serv. Co.,* 499 U.S. 340, 361, 113 L.Ed.2d 358 (1991). "However, in most cases courts have no objective evidence of the process by which the challenged object was developed and thus are forced to rely on the inferences which may be drawn from two basic facts: access and similarity." *Glanzmann v. King,* 1988 U.S. Dist. Lexis 15705 8 U.S.P.Q.2d 1594, 1595 (E.D.Mich.1988) (citing *Ideal Toy Corp. v. Kenner Prods.,* 443 F.Supp. 291 (S.D.N.Y.1977)). "[W]here there is no direct evidence of copying, a plaintiff may establish 'an inference of copying by showing (1) *access* to the allegedly-infringed work by the defendant(s) and (2) a *substantial similarity* between the two works at issue.'" (emphases added). *Kohus,* 328 F.3d at 853-54 (quoting *Ellis v. Diffie,* 177 F.3d 503, 506 (6th Cir.1999)). "Thus, copying is an essential element of infringement and substantial similarity between the plaintiff's and defendants' works is an essential element of copying." *Wickham v. Knoxville Int'l Energy Exposition,* 739 F.2d 1094, 1097 (6th Cir.1984) (citations omitted).

The access element of a copyright infringement claim is usually the less problematic. "Access is essentially 'hearing or having a reasonable opportunity to hear the plaintiff['s] work and thus having the opportunity to copy.'" *Ellis,* 177 F.3d at 506 (quoting *Tree Publ'g Co. v. Warner Bros. Records,* 785 F.Supp. 1272, 1274 (M.D.Tenn.1991)). "Access is proven when the plaintiff shows that the defendant had an opportunity to view or to copy plaintiff's work." *Glanzmann,* 8 U.S.P.Q.2d at 1595 (citing *Sid & Marty Krofft Television Prods. v. McDonald's Corp.,* 562 F.2d 1157, 1163 (9th Cir.1977)). "Although 'evidence that a third party with whom

both the plaintiff and defendant were concurrently dealing had possession of plaintiff's work is sufficient to establish access by the defendant,' '[a]ccess may not be inferred through mere speculation or conjecture.'" *Ellis,* 177 F.3d at 506 (quoting 4 Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 13.02[A] (hereinafter "Nimmer")). "A mere assertion of access, unsupported by probative evidence is inadequate." *Glanzmann,* 8 U.S.P.Q.2d at 1595 (citing *Scott v. Paramount Pictures Corp.,* 449 F.Supp. 518, 520 (D.D.C.1978), *aff'd,* 197 U.S. App. D.C. 180, 607 F.2d 494 (D.C.Cir.1979)). "Nor is a 'bare possibility' of access sufficient. A plaintiff must establish that defendant(s) had a 'reasonable possibility' to view plaintiff's work." *Glanzmann,* 8 U.S.P.Q.2d at 1595 (citing *Meta-Film Assocs. v. MCA, Inc.,* 586 F.Supp. 1346, 1355 (C.D.Cal.1984)). *See also Grubb v. KMS Patriots, L.P.,* 88 F.3d 1, 4 (1st Cir.1996) (denying copyright infringement claim on design of football team's logo where alleged infringer had largely completed his design before access to plaintiff's design).

Where the plaintiff cannot prove access, the copyright infringement claim can still succeed, but only by proof of a higher level of similarity than the merely substantial. *See Ellis,* 177 F.3d at 507 (noting that "[s]ome case law indicates that the stronger the similarity between the two works in question, the less compelling the proof of access needs to be" (citing Nimmer § 13.02[B])). The quantum of similarity that will substitute for proof of access is "striking similarity." Such striking similarity "preclude[s] the possibility of independent creation." *Glanzmann,* 8 U.S.P.Q.2d at 1595 (citing *Ferguson v. Nat'l Broad. Co.,* 584 F.2d 111 (5th Cir.1978)). Of course, even in a striking similarity case,

"[a]bsent copying, there can be no infringement." *Mazer v. Stein,* 347 U.S. 201, 218, 74 S.Ct. 460 1954 Dec. Comm'r Pat. 308 (1954). However, striking similarity carries the burdens of proof that the infringing work is sufficient similar as to intrude into the copyrighted work's protection *and* that the defendant must have had access to the copyrighted work, even if the plaintiff can provide no extrinsic proof of that fact.

In the usual infringement case, access can be shown and the more difficult proof is that of "substantial similarity." In order to focus this inquiry, "[c]ourts have established various tests for the substantial similarity finding." *Kohus,* 328 F.3d at 854. "The traditional approach is the 'ordinary observer' or 'audience' test, which requires the trier of fact to gauge the similarities of the two works solely on the basis of his 'net impression' and without relying on expert analysis or dissection.'" *Ibid.* (citing *Ellis,* 177 F.3d at 506 n. 2). "[C]ourts have undertaken various modifications-typically, by adding a prior step that does allow expert testimony and analytic dissection." *Kohus,* 328 F.3d at 854.

The Second Circuit has adopted a test that distinguishes between two essential elements in a substantial similarity suit—"(a) that defendant copied from plaintiff's copyrighted work and (b) that the copying (assuming it to be proved) went so far as to constitute improper appropriation." *Arnstein v. Porter,* 154 F.2d 464, 468 (2d Cir.1946). Expert testimony is appropriate under the first part, but not under the second because "the determination of improper copying is to be made from the viewpoint of the ordinary observer." *Kohus,* 328 F.3d at 854 (citing *Arnstein*). The Ninth Circuit, the court of

appeals with the largest case load and experience in the area of movie industry copyright infringement, has adopted an alternative two-part test. This test consists of an "'extrinsic test,' in which expert testimony and analytic dissection may be employed to help the jury 'determine whether there has been copying of the expression of an idea rather than just the idea itself' . . . and the 'intrinsic test,' in which expert testimony is not appropriate because the trier of fact must determine substantial similarity from the viewpoint of the ordinary reasonable person." *Kohus,* 328 F.3d at 854 (summarizing *Krofft,* 562 F.2d at 1163-64). While these names for the parts have remained, "[b]ecause the criteria incorporated into the extrinsic test encompass all objective manifestations of creativity, the two tests are more sensibly described as objective and subjective analyses of expression, having strayed from *Krofft's* division between expression and ideas." *Shaw v. Lindheim,* 919 F.2d 1353, 1357 (9th Cir.1990) (citations omitted). The extrinsic test focuses on articulable similarities between plot, themes, dialogue, mood, setting, pace, characters, and sequence of events in the two works. *Kouf v. Walt Disney Pictures & Television,* 16 F.3d 1042, 1046 (9th Cir.1994). "[S]atisfaction of the extrinsic test creates a triable issue of fact in a copyright action involving a literary work." *Shaw,* 919 F.2d at 1359.

This court, however, had until recently not adopted any of the refined versions of the substantial similarity test. *Ellis,* 177 F.3d at 506 n. 2. Lacking guidance, the district court in the present case adopted the Ninth Circuit test. However, while this appeal was pending, we, in *Kohus,* adopted the District of Columbia Circuit's test. In this test "the first step 'requires identifying which aspects of the artist's work, if

any, are protectible by copyright,' the second 'involves determining whether the allegedly infringing work is 'substantially similar' to protectible elements of the artist's work." *Kohus,* 328 F.3d at 855 (quoting *Sturdza v. United Arab Emirates,* 350 U.S. App. D.C. 154, 281 F.3d 1287, 1295, 1296 (D.C.Cir.2002)). This test is more similar to the Ninth Circuit test than it is to the Second Circuit test. *See Kohus,* 328 F.3d at 855 n. 1 (tracing history of the *Sturdza* test). The second part of our test, and the Ninth Circuit's *intrinsic* test, both address the question of whether the two works are, taken as a whole, substantially similar in look and feel to a jury. The first part of our test, and the Ninth Circuit's *extrinsic* test, both require a determination of what elements of the copyrighted work are protected by the law and an exclusion of consideration of all elements that are not.

However, significant differences remain in both parts. In particular, we apply a more stringent standard regarding when to allow expert testimony on the first part of the test. Also, not having adopted the eight *Kouf* factors, the first part of our test remains more free in form than the Ninth Circuit's extrinsic test. "The essence of the first step is to filter out the unoriginal, unprotectible elements . . . through a variety of analyses." *Kohus,* 328 F.3d at 855 (citing *Feist,* 499 U.S. at 345).

This brings us to the most complex part of the substantial similarity inquiry: the determination of which parts of the original work are protectible and which are not. It is "impossible to articulate a definitive demarcation that measures when the similarity between works involves copying of protected expression; decisions must inevitably

be ad hoc." *Shaw,* 919 F.2d at 1356 (citing *Krofft,* 562 F.2d at 1164). Nevertheless, certain categorical judgments and guideposts have been established. Unoriginal work enjoys no copyright protection. "The *sine qua non* of copyright is originality. To qualify for copyright protection, a work must be original to the author." *Feist,* 499 U.S. at 345 "[I]t is a constitutional requirement that a plaintiff bringing an infringement claim must prove 'copying of constituent elements of the work *that are original.*'" *Kohus,* 328 F.3d at 853 (emphasis added in *Kohus*) (quoting *Feist,* 499 U.S. at 361). However, "the requisite level of creativity is extremely low; even a slight amount will suffice. The vast majority of works make the grade quite easily, as they possess some creative spark, 'no matter how crude, humble or obvious' it might be." *Feist,* 499 U.S. at 345 (quoting 1 Nimmer, § 1.08[C][1]).

In the general run of cases, where minimal creativity can be shown, the vital distinction is between ideas and their expressions. Copyright does not protect ideas, but only the expression of ideas. *Kohus,* 328 F.3d at 855.[2] "The real task in a copyright infringement action, then, is to determine whether there has been copying of the expression of an idea rather than just the idea itself." *Krofft,* 562 F.2d at 1163. "[N]o one infringes, unless he descends so far into what is concrete

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2. Of the two principles, that ideas are not protectible and that expressions are protectible, it is the former that is the stronger. Where an idea by necessity, or near-necessity, or custom, leads to a particular expression, it is the expression which becomes unprotected, rather than the idea that becomes protected. To reach the opposite conclusion would, through the backdoor, create a forbidden copyright in ideas. *Shaw,* 919 F.2d at 1360.

[in a work] as to invade . . . [its] expression." *Nat'l Comics Publ'ns v. Fawcett Publ'ns,* 191 F.2d 594, 600 (2d Cir.1951). To draw the distinction between ideas and their expressions, courts use the abstraction test first described by Judge Learned Hand with respect to a theatrical play. *Kohus,* 328 F.3d at 855.

> Upon any work, and especially upon a play, a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out. The last may perhaps be no more than the most general statement of what the play is about, and at times might consist only of its title; but there is a point in this series of abstractions where they are no longer protected, since otherwise the playwright could prevent the use of his 'ideas,' to which, apart from their expression, his property is never extended.

Nichols v. Universal Pictures Corp., 45 F.2d 119, 121 (2d Cir.1930). This test will only place a work's elements on a spectrum from more expression-like to more idea-like. It does not pick the point on the spectrum at which elements cease to be unprotected ideas and become protectible expressions. Nevertheless, it serves as a useful, if not dispositive, analytical tool in drawing these distinctions. *See Peter Pan Fabrics v. Martin Weiner Corp.,* 274 F.2d 487, 489 (2d Cir.1960) (noting that "no principle can be stated as to when an imitator has gone beyond copying the 'idea,' and has borrowed its 'expression' " and that such decisions hence must "inevitably be ad hoc").

Appendix A

Within the realm of works of fiction, literary or cinematographic, expressions not protectible because they follow directly from unprotectible ideas are known as scènes à faire, "those elements that follow naturally from the work's theme, rather than from the author's creativity." *Kohus,* 328 F.3d at 856 (quoting Nimmer § 13.03[F][3]). Scènes à faire are those "incidents, characters or settings which are as a practical matter indispensable, or at least standard, in the treatment of a given topic." *Sturdza,* 281 F.3d at 1295. A few examples provide concreteness to this definition:

> If Twelfth Night were copyrighted, it is quite possible that a second comer might so closely imitate Sir Toby Belch or Malvolio as to infringe, but it would not be enough that for one of his characters he cast a riotous knight who kept wassail to the discomfort of the household, or a vain and foppish steward who became amorous of his mistress. These would be no more than Shakespeare's 'ideas' in the play, as little capable of monopoly as Einstein's Doctrine of Relativity, or Darwin's theory of the Origin of Species. It follows that the less developed the characters, the less they can be copyrighted; that is the penalty an author must bear for marking them too indistinctly.

Nichols, 45 F.2d at 121. Other genres provide additional examples of scènes à faire. "Elements such as drunks, prostitutes, vermin and derelict cars would appear in any realistic work about . . . policemen in the South Bronx" and are therefore not protectible. *Walker v. Time Life Films,* 784

F.2d 44, 50 (2d Cir.1986). Similarly, "[f]oot chases and the morale problems of policemen, not to mention the familiar figure of the Irish cop, are venerable and often-recurring themes of police fiction," and hence not protectable. *Ibid.* "While both the Dinosaur World books and the Jurassic Park works share a setting of a dinosaur zoo or adventure park, with electrified fences, automated tours, dinosaur nurseries, and uniformed workers, these settings are classic scenes a faire that flow from the uncopyrightable concept of a dinosaur zoo. Thus, though perhaps substantially similar, the settings are not protectible." *Williams v. Crichton,* 84 F.3d 581, 589 (2d Cir.1996). "The common use of such stock . . . merely reminds us that in Hollywood, as in the life of men generally, there is only rarely anything new under the sun." *Id.* at 588 (quoting *Berkic v. Crichton,* 761 F.2d 1289, 1294 (9th Cir.1985)).

Another question of degree in the evaluation of substantial similarity is the amount of copying necessary to establish infringement. At the extremes, the rules of law are again clear. "Duplication or near identity is not necessary to establish infringement." *Krofft,* 562 F.2d at 1167 (citing *Runge v. Lee,* 441 F.2d 579, 582 (9th Cir.1971), and *Williams v. Kaag Mfrs.,* 338 F.2d 949, 951 (9th Cir.1964)). "A story has a linear dimension: it begins, continues, and ends. If a defendant copies substantial portions of a plaintiff's sequence of events, he does not escape infringement by adding original episodes somewhere along the line." *Warner Bros. v. ABC,* 720 F.2d 231, 241 (2d Cir.1983). "The misappropriation of even a small portion of a copyrighted work . . . may constitute an infringement under certain circumstances." *Murray Hill Publ'ns v. ABC Comm.,* 264 F.3d 622, 633 (6th Cir.2001)

(citing *Universal Pictures Co. v. Harold Lloyd Corp.*, 162 F.2d 354, 361 (9th Cir.1947)). "Even if a copied portion be relatively small in proportion to the entire work, if qualitatively important, the finder of fact may properly find substantial similarity." *Baxter v. MCA, Inc.*, 812 F.2d 421, 425 (9th Cir.1987). "No plagiarist can excuse the wrong by showing how much of his work he did not pirate." *Shaw*, 919 F.2d at 1362 (quoting Nimmer, § 13.03[B][1][a]). However, "individual lines of dialogue [in a movie] are not automatically entitled to copyright protection." *ABC*, 264 F.3d at 632. "[W]hen a single line of a larger copyrighted work is appropriated by an alleged infringer, the test is whether 'the work is recognizable by an ordinary observer as having been taken from the copyrighted source.'" *Id.* at 633 (quoting *Harold Lloyd*, 162 F.2d at 361). "[I]t is the combination of many different elements which may command copyright protection because of its particular subjective quality." *Krofft*, 562 F.2d at 1169 (citing *Reyher v. Children's Television Workshop*, 533 F.2d 87, 91 92 (2d Cir.1976), and *Ideal Toy Corp. v. Sayco Doll Corp.*, 302 F.2d 623, 624 (2d Cir.1962)). "While any one similarity taken by itself seems trivial, . . . it would [not] be improper for a jury to find that the over-all impact and effect indicate substantial appropriation." *Krofft*, 562 F.2d at 1169 (quoting *Malkin v. Dubinsky*, 146 F.Supp. 111, 114 (S.D.N.Y.1956)). However, "random similarities scattered throughout the works" can be discounted. *Litchfield v. Spielberg*, 736 F.2d 1352, 1356 (9th Cir.1984). "Such a scattershot approach cannot support a finding of substantial similarity because it fails to address the underlying issue: whether a lay observer would consider the works as a whole substantially similar to one another."

Williams, 84 F.3d at 590 (citing *Walker,* 784 F.2d at 50, and *Burroughs v. Metro-Goldwyn Mayer,* 683 F.2d 610, 624 (2d Cir.1982)).

Finally, the issue arises of the proper standard for appellate review of a grant or denial of a motion for judgment as a matter of law in a copyright infringement case. The cornerstone of such review in copyright infringement cases, just as in other cases, is whether, given the law and evidence presented, a reasonable jury could have found for the non-moving party. Nevertheless, the issue of whether substantial similarity exists has certain features with special significance in the application of this standard. A jury deciding the issue of substantial similarity not only makes findings of historical fact, but usually also serves as a proxy for the works' intended audience. In this role as proxy, jurors decide not only what happened, but also can be properly influenced by whether their exposure to the alleged infringing work would diminish their appetite for the copyrighted work. *See Kohus,* 328 F.3d at 856-57. As the diminished market for copyrighted work is the harm that the copyright law seeks to avoid, this issue is crucial and contains an element of subjectivity not found in most other jury determinations. Therefore, courts have recognized "that granting summary judgment, particularly in favor of a defendant, is a practice to be used sparingly in copyright infringement cases." *Wickham,* 739 F.2d at 1097; *accord Kohus,* 328 F.3d at 853. However, even taking into account this factor, summary judgment is still permissible and may even be required. *Wickham,* 739 F.2d at 1097; *Kohus,* 328 F.3d at 853. Courts "have frequently affirmed summary judgment in favor of copyright defendants on the issue of substantial similarity."

Shaw, 919 F.2d at 1355. One reason to do so is that the question of substantial similarity can usually be decided on the basis of the works themselves and rarely, if ever, involves questions of credibility, the peculiar province of the jury. Also, while judges "may not be qualified literary critics, [they] are fitted by training and experience to compare literary works and determine whether they evidence substantial similarity." *O'Neill v. Dell Publ'g Co.,* 630 F.2d 685, 690 (1st Cir.1980).

IV

With this background on some relevant aspects of the law of copyright infringement, we turn to the facts of this case. The crucial issue is the degree of similarity between CTBC and JATW. While both of these works went through numerous revisions, Murray Hill's core claim is that the JATW *movie* infringes on its copyright to the CTBC *screenplay.* A detailed summary of both is in order:

CTBC tells the story of Bess Parker, a poor white divorced cleaning woman with a six-year-old son, Tommy. Lacking a father figure, Tommy focuses obsessively on "Action Man," a super-hero action figure. Twelve days before Christmas, Bess goes to the local toy store to buy the toy she has previously reserved. But when she finds herself short of cash to pay for it and the store clerks refuse to hold it for her any longer, Bess hides the toy in the store. The next day Bess returns to buy the toy she stashed away, but it is snatched out of her hands by Clare, a wealthy black woman who owns and operates a real estate business. Bess attempts to recover the toy by threatening Clare with an authentic-looking toy

gun, but Clare gets away. Dejected, Bess returns to the subsidized apartment that she shares with her mother. Bess and Tommy buy a cheap Christmas tree and decorate it.

The next day, while cleaning the home of Carol, an employee of Clare's, Bess meets Steve, Carol's brother and owner of a toy store. Later that day, Bess takes Tommy to see a toy store Santa Claus without realizing that it is Steve in disguise. When Bess becomes angry at the Santa Claus for promising Tommy an Action Man figure, Steve reveals his identity and Steve and Bess agree to go on a date. That evening, Carol calls Bess to tell her that Clare's company is going to tear down Bess's apartment building. The next day, Bess goes to a bank branch to obtain a loan to pay off her bills and a scene ensues when she accidentally pulls the toy gun out of her purse. Bess's next cleaning job is Clare's house, where she meets Eric, Clare's husband and a doctor. Eric is annoyed that Bess mistakes him for a servant, perhaps because Eric too is black. At night, Eric shares this story with Clare. The next day, Steve takes Bess to Carol's office party where Bess for the first time realizes that the woman who took her action figure, the woman whose house she has been cleaning, and the woman whose company is going to tear down her home are all one and the same.

Back at home, Bess agrees to go sledding with Steve. When Steve returns to Carol's house, he tells her about his feelings for Bess. Over the following days, Steve takes Bess and Tommy sledding and shopping. Bess and her mother meet at a coffee shop, discuss their difficulties in finding an Action Man toy and Bess's potential romantic involvement with Steve, whom both women believe to be a mere Santa Claus

impersonator rather than the owner of the toy store. Meanwhile, Steve has been trying to use his position as a toy store owner to obtain an Action Man toy for Tommy. On Steve and Bess's next date, Bess insists that they go Christmas shopping at an inexpensive store, because Bess believes that the expensive department store suggested by Steve is unaffordable for them.

The next time Bess goes to clean Clare's house, she discovers a bag full of Action Man toys and, annoyed at Clare's greed, hides one of the figures under a pillow. When Bess visits Carol's house in order to see Steve, Carol mentions that Steve is in fact a well-to-do toy store owner, and Bess, furious with Steve for having misled her, storms out. Having put Tommy, who is full of confidence that he is going to receive an Action Man figure, to bed and inspired by a drawing Tommy has made of an Action Man figure, Bess decides to break into Clare's home and retrieve the toy she had stashed away. Bess, wearing camouflage face paint, is surprised by Clare, who mistakes her for the Night Prowler, a burglar who has been plaguing the neighborhood, but Bess manages to escape with the Action Man figure. The following day, Bess and her mother have a kitchen-table conversation. Bess, in despair over her financial situation, the imminent eviction, and the fact that she is a thief, decides to return the Action Man figure. After Bess is gone, Tommy shows his grandmother the cereal-box tops he has collected to redeem for an Action Man figure and she decides to forego playing the lottery and redeem the box tops instead.

When Bess arrives at Clare's house, Clare and Eric are having a discussion on the wisdom of Clare's plans to evict

poor tenants in order to make room for her development project. As Bess tries to return the Action Man figure to Clare's stash, Clare comes upon her and for the first time notices that her cleaning woman is the woman with whom she struggled in the toy store. In the ensuing melee, Bess drops the action figure and flees the scene. Back at home, Clare again talks about Steve with her mother. The winning lottery numbers are announced and Bess's mother realizes that she would have won had she played that day. At this moment, police officers enter and arrest Bess for being the Night Prowler.

Enraged, Bess's mother heads to Clare's home and berates her in front of her party guests for having had Bess arrested. After the party is over, Clare proceeds to a local church where she, dressed in a Santa Claus suit, hands out presents to poor children. After listening to the local priest describe the children's plight, she has a change of heart. She returns home, collects all the presents under her Christmas tree, and distributes them to the poor children at a local homeless shelter. Meanwhile, Bess is released on bail, raised by her kindly neighbor, and Eric apprehends the real Night Prowler. Clare, having discovered her error in identifying Bess as the Night Prowler, heads to Bess's apartment where she tears up the eviction notice. She also offers Bess an Action Man figure, but Bess, realizing that her son needs his mother, not a toy, declines the gift. The following morning, Tommy is understanding about not receiving an Action Man figure and Bess reconciles with Steve. Tommy discovers another present, an Action Man figure after all, and for the lack of a better explanation, concludes that the real Santa must have brought it. As credits

roll, a trio of Santas are seen walking towards the homeless shelter. In the final image of the proposed movie, the Santas turn around and reveal one to be black, one to be white, and one to be Japanese.

The protagonist of the JATW movie is Howard Langston, the workaholic CEO of a mattress company. Howard has promised his eight-year-old son Jamie that he would attend the ceremony at which Jamie is to be awarded his purple belt in karate. Having been detained at the office by business calls, Howard speeds to the ceremony, but is caught by police officer Hummel and as a consequence misses the award ceremony. Howard's wife Liz instead attends the ceremony with their divorced neighbor, the oleaginous Ted, whose son also receives a belt at the ceremony. The next morning, in order to return himself into the good graces of the deeply disappointed Jamie, Howard promises to buy him a Turbo Man action figure for Christmas. After this prologue, the action skips forward to the morning of Christmas Eve at the Langston's well-appointed home. Liz asks Howard whether he bought the Turbo Man figure. Howard, who had forgotten, nevertheless claims he did. Howard leaves, according to him in order to pick up the toy from his office, but not before promising Jamie that he will attend a Christmas parade at which Turbo Man is scheduled to appear.

Howard begins his frantic search for the Turbo Man action figure at a local toy store. Here he meets Myron Larabee, a stressed-out black mailman, who also is trying to make a last-minute purchase of a Turbo Man figure for his son. When Howard and Myron ask store clerks for a Turbo Man figure, they are laughed at for expecting to be able to

find this extremely popular toy at such a late date. After driving from store to store without success, Howard overhears that a store at a local mall just received a late shipment of Turbo Man figures. In his haste to get to the mall, Howard runs over Hummel's motorcycle. Hummel is not amused. At the mall, when the toy store clerks try to distribute numbered balls to establish priority for the limited quantity of Turbo Man figures, a riot breaks out. After Howard and Myron struggle across the mall for one of the balls, Howard overcomes Myron only to lose the ball to an infant.

A suspicious-looking mall Santa offers to take the dejected Howard to a secret warehouse where Turbo Man figures are still available. At the warehouse, filled with Santa Clauses and elves, Howard pays $300 for a Turbo Man figure, only to have it revealed as a poorly made foreign knock-off, which promptly falls apart in his hands. Before Howard can complain, the police raid the warehouse and arrest the Santas and elves. Howard barely escapes by using a toy police identification badge. Howard's SUV, parked outside the warehouse, has been stripped clean by thieves.

Howard and Myron run into each other again in a coffee shop and commiserate. Myron explains to Howard how all his life's misfortunes are traceable to not receiving a particular popular toy when he was a child. A radio playing in the coffee shop announces a call-in contest offering a Turbo Man figure to the first person to name all of Santa's reindeer. Myron and Howard fight over the local payphone but only manage to break it. Instead, they start running to the nearby radio station. Howard, being in much better physical condition than the portly Myron, arrives first at the station

and breaks into the broadcast booth of the program's host. Shortly afterwards, Myron too breaks into the booth and threatens to blow it up using a mail bomb he carries unless he is given the Turbo Man figure. When the host reveals that he was only offering a gift certificate, Howard leaves, but Myron drops the "bomb" which turns out to be only a regular Christmas package. On the way out of the station, Myron is apprehended by a police SWAT team, led by Hummel, but manages to escape by using another mail bomb. This bomb does explode, leaving Hummel comically singed.

Howard returns home defeated, but sees Ted and Liz decorating his Christmas tree. Jealous and enraged, Howard breaks into Ted's house to steal the Turbo Man figure that Ted had bragged about buying for his son. Inside Ted's house, Howard is attacked by Ted's pet reindeer, accidentally sets fire to several rooms, and is ultimately discovered by Ted and Liz while holding the stolen Turbo Man figure. Liz, disgusted with Howard's behavior, leaves for the parade with Jamie, Ted, and Ted's son. After dropping off the children, Ted attempts to kiss Liz, who violently rebuffs his advances. Meanwhile, Howard shares some beers with the reindeer and also heads for the parade. There Howard, mistaken for the actor hired to play Turbo Man, is put into a high-tech Turbo Man costume, put on a float, and given a special Turbo Man action figure to present to the attending child of his choice.

At the parade, Howard/Turbo Man spots Jamie, who does not recognize him, in the crowd and gives him the Turbo Man figure. At this point, Myron, who has stolen the costume of Dementor, Turbo Man's nemesis, attacks Howard and Jamie with intent to steal the figure. In a special-effects-heavy

fight between Howard/Turbo Man and Myron/Dementor, echoing an episode of the Turbo Man television program glimpsed at the beginning of the movie, Howard defeats Myron. After the fight, Howard reveals himself to Jamie. Jamie realizes that because he has the real Turbo Man for a father he does not need the action figure and gives the figure to Myron. Howard, Liz, and Jamie embrace and credits roll. In a post-credit scene, Liz wonders what Howard bought *her* for Christmas and the horrified Howard realizes that he forgot to buy her a present.

V

Most of the issues that form the basis of a copyright infringement claim are no longer in dispute in this case. The CTBC screenplay was copyrighted. Fox did have access to the CTBC screenplay before it registered the JATW screenplay and before production of the JATW movie, but not before it received the JATW "treatment." Finally, the jury found that the JATW movie and the CTBC screenplay were substantially similar, establishing Murray Hill's copyright infringement claim. Fox appeals on the basis of the denial of its pre- and post-verdict motions for judgment as a matter of law on the issue of substantial similarity. "Judgment as a matter of law is appropriate only when there is a complete absence of fact to support the verdict, so that no reasonable juror could have found for the nonmoving party." *Fisher v. Ford Motor Co.*, 224 F.3d 570, 574 (6th Cir.2000) (quoting *Moore v. KUKA Welding Sys. & Robot Corp.*, 171 F.3d 1073, 1078 (6th Cir.1999)).

Appendix A

Fox's principal basis for requesting judgment as a matter of law is the six-page "treatment" that Kornfield registered *prior* to the time that Murray Hill could establish, directly or inferentially by means of striking similarity, that Fox had access to the CTBC screenplay. At trial, Murray Hill pressed several theories about how Fox could have gained access to the CTBC screenplay earlier, but the district court found that these theories were too speculative to establish access and Murray Hill does not appeal this finding. As we noted above, striking similarity, precluding all possible conclusion but that the work was copied, can substitute for proof of access. However, even a superficial glance at the CTBC screenplay and the JATW treatment reveals that whatever the similarities, they most certainly do not approach the level precluding all possibilities but copying. Therefore, the district court rightly found that the treatment was an independent creation.

Murray Hill's claim of substantial similarity between the JATW movie and the CTBC screenplay rested on an expert-prepared list of twenty-four similarities between the two. However, of these twenty-four similarities, all but six already existed in the independently created treatment. Thus, only those six elements could possibly have been taken by Fox from the CTBC screenplay. These six remaining similarities were the children's drawings (of Action Man in CTBC and of the Langston family in JATW), the unhelpful toy store clerks (refusing to give the toy to Bess in CTBC and laughing at Howard's late request for the toy in JATW), the intrusive neighbor (a minor sympathetic character in CTBC and Ted in JATW), and three similarities in the theft of the toy (from Clare by Bess in CTBC and from Ted by Howard in JATW). Each of these similarities is tenuous. At the level of actual

expression they differ significantly, and at any level of abstraction that covers both JATW and CTBC, they are ubiquitous in literature and the cinema. We are instructed to look at such slight similarities holistically to determine whether collectively they could prove substantial similarity. Where, as here, the slight similarities are not thematically related, the whole is no greater than the sum of the parts. Therefore, if the court was required to filter out all the other similarities, summary judgment for Fox would have been appropriate.

Contrary to the parties' equally fervent, though otherwise diametrically opposed, assertions, the question of whether elements already found in a copyright defendant's earlier, non-infringing work are properly discounted in performing substantial similarity analysis is, at least in this court, one of first impression. The canonical statement of law is that *non-protectible elements* must be filtered out. *Kohus,* 328 F.3d at 855. But here the argument is not that the eighteen similarities allegedly shared by the CTBC screenplay, the JATW movie, *and* the JATW treatment were non-protectible, but rather that these elements were independently created. We turn to persuasive precedent and reason to determine whether independently created elements must be discounted.

Precedents in our sister circuits suggest that under appropriate circumstances even protectible elements may be filtered out. In *Apple Computer v. Microsoft Corp.*, 35 F.3d 1435 (9th Cir.1994), Apple filed suit alleging that elements of Microsoft's graphical user interface infringed on the copyright of Apple's equivalent software. Significantly, Microsoft had obtained a license from Apple for some, but

not all, elements of Apple's software. The court stated that "[w]here, as here, the accused works include both licensed and unlicensed features, infringement will depend on whether the unlicensed features are entitled to protection." *Id.* at 1441. "Because only those elements of a work that are protectible and used without the author's permission can be compared when it comes to the ultimate question of illicit copying, we use analytic dissection to determine the scope of copyright protection before works are considered 'as a whole.' " *Id.* at 1443 (citations omitted). In so concluding, the *Apple* court extended the application of filtering, from unprotectible elements to protectible elements used with the permission of the copyright owner.

In *Sturdza,* an architect brought a claim against the United Arab Emirates alleging that the design of the defendant's new embassy infringed on the copyright of architectural drawings she had previously submitted to the defendant. 281 F.3d at 1291-92. The defendant contended that the design was in fact based on the work submitted by another architect. *Ibid.* The district court in performing the substantial-similarity analysis discounted elements of the embassy design that were already present in work submitted by the other architect before the defendant had access to the plaintiff's drawings. *Id.* at 1297. Because the plaintiff did not appeal this discounting, the District of Columbia Circuit also excluded the elements that were already present in the earlier work. *Ibid.*

Logic also supports the filtering of independently-created elements. The purpose of the substantial-similarity analysis is to answer the question whether the defendant copied the

work of the plaintiff. Ordinarily, similar elements between known work of the plaintiff and the defendant's work will, depending on the degree of uniqueness and originality of the element, support such an inference. However, where defendant owns a prior work containing the same elements, he has no reason, beyond the illicit thrill of copyright infringement, to copy wrongfully from another what he could legally copy from himself. Therefore, where an element occurs both in the defendant's prior work and the plaintiff's prior work, no inference of copying can be drawn. *See Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 54 (2d Cir.1936) ("If the defendant has had access to other material which would have served him as well, his disclaimer [of copying] becomes more plausible."); *Ellis*, 177 F.3d at 507 ("[A]n inference of copying is rebuttable by evidence of independent creation of the allegedly infringing work.") (citations omitted). Such elements should be removed from consideration.

Therefore, we hold that elements of a copyright defendant's work that were created prior to access to a plaintiff's work are to be filtered out at the first stage of substantial-similarity analysis, just as non-protectible elements are. In the present case, no reasonable jury could have found substantial similarity solely on the basis of the six minor elements not so filtered. Therefore, Fox's motion for judgment as a matter of law should have been granted.

Appendix A

VI

For the foregoing reasons, we **REVERSE** the judgment of the district court and **REMAND** for an entry of judgment as a matter of law in favor of Fox.

APPENDIX B — OPINION OF THE COURT DENYING DEFENDANT'S MOTION FOR NEW TRIAL OF THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF MICHIGAN, SOUTHERN DIVISION FILED NOVEMBER 9, 2001

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

Case No. 97-cv-60405
Hon. Marianne O. Battani

MURRAY HILL PUBLICATIONS, INC.
a Michigan corporation,

Plaintiff,

-v-

TWENTIETH CENTURY FOX FILM CORPORATION, a Delaware corporation a/k/a Fox, Inc.,

Defendant.

OPINION OF THE COURT DENYING DEFENDANT'S MOTION FOR NEW TRIAL

Following a jury trial, a verdict was rendered for Plaintiff finding that Defendant's movie, "Jingle All the Way" (hereafter "JATW"), infringed on its copyrighted script for "Could This Be Christmas" (hereafter "CTBC"). Defendant now moves for a new trial asserting prejudicial error.

Appendix B

I. STANDARD OF REVIEW

Federal Rule of Civil Procedure 59(a) provides that, "a new trial may be granted . . . for any of the reasons for which new trials have been heretofore granted in actions at law in, courts of the United States. . . ." Specific grounds for new trial include:

> [T]hat the verdict is against the weight of the evidence, that the damages are excessive, or that for other reasons that trial was not fair, and that the motion may also raise questions of law, arising out of substantial errors in the admission or rejection of evidence or the giving or refusal of instructions.

11 *Charles A. Wright.& Arthur R. Miller, Federal Practice & Procedure* §2805, at 37-38 (1973). "The grant of a new trial . . . falls within the trial court's discretion to act to prevent a miscarriage of justice." *Fryman v. Federal Crop Ins. Corp.*, 936 F. 2d 244, 248 (6th Cir. 1991). However, the "courts are not free to . . . set aside the jury verdict merely because the jury could have drawn different inferences or conclusions or because the judges feel that other results are more reasonable." *Redmond v. Baxley*, 475 F. Supp. 1111,1121 (E.D. Mich. 1979). The Court "must compare the opposing proofs, weigh the evidence, and set aside the verdict if it is of the opinion that the verdict is against the great weight of the evidence." *J. C. Wyckoff & Assoc. v. Standard Fire Ins. Co.*, 936 F.2d 1474, 1487 (6th Cir. 1991). In addition, "[t]his broad discretion vested in the trial court in deciding a Rule 59 motion for new trial extends to motions predicated

upon the sufficiency of the evidence and errors in jury instructions." *Clark v. Esser*, 907 F. Supp. 1069, 1073 (E.D. Mich. 1995).

II. EXPERT TESTIMONY OF DR. IRA KONIGSBERG.

Defendant asserts that the court's admission of the testimony of Plaintiff's expert, Dr. Ira Konigsberg, was prejudicial error which entitles Defendant to a new trial. Defendant advances two arguments.

First, Defendant asserts that the admission of any expert testimony was improper insofar as the court should have adopted the "ordinary observer" test for copyright infringement, rather than the extrinsic/intrinsic test used at trial. Second, Defendant asserts that Dr. Konigsberg's trial testimony was improper and should have been excluded insofar as he relied upon an improper methodology. That is, he failed to present his testimony in accordance with, or within the bounds of, the extrinsic test: Instead, Defendant asserts, Dr. Konigsberg presented a list of juxtaposed similarities which included irrelevant, unprotectable expression such scenes-a-faire and stock scenes.

The court has had the opportunity to consider these issues on two prior occasions. In *Defendant's Motion in Limine to Preclude the Testimony and Expert Report of Dr. Ira Konigsberg*, filed on December 18, 2000, Defendant argued that this court should use the "ordinary observer" test and preclude expert testimony. Defendant further argued that if the court were to use the extrinsic/intrinsic test, it should preclude the testimony and expert report of Dr. Konigsberg

as they did not comport with the standards of that test. The court heard oral argument on this motion on January 16, 2001. The court denied Defendant's motion in a ruling from the bench.[1] *Transcript of Hearing for Motions in Limine*, Vol. I at 64-68.[2] The court held that it would employ the extrinsic/intrinsic test. *Id.* at 64-66[3], and then held that Dr. Konigsberg's testimony was admissible. *Id.* at 66-68.[4]

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1. No order was entered reflecting this ruling.

2. The relevant transcript has been misdated as November 16, 2000. The correct date is January, 16, 2001. The transcript is located at Docket No. 201.

3. THE COURT: "The standard we have to look at is whether or not under 702 an expert opinion will assist the jury in making their determination. The determination that we're speaking of here is whether or not there's a substantial similarity between the script and the work and how does one judge substantial similarity.

This Court is going to follow the Ninth Circuit, which I don't' think is contradictory to the Sixth Circuit which simply hasn't yet set forth a test,. but l am going to follow the Ninth Circuit and use the extrinsic-intrinsic test:

I believe that it would be beneficial to the jurors to have somebody tell them, who is an expert in language, and tell them the differences or how you would judge what is similar in pieces of work. Because this could be advantageous to the jury, l believe that it is allowable."

4. THECOURT: "[I]n turning to defendant's motion to strike plaintiff's expert, I know defendant argues well about plaintiff's expert not following the appropriate test. But again I think that goes to the weight and not to the admissibility of the expert's testimony. He has been qualified as an expert before and he certainly has a

(Cont'd)

Then, in *Defendant's Motion for Judgment as a Matter of Law on Copyright Infringement at the Close of Plaintiff's Case*, filed on February 8, 2001 at the close of Plaintiff's proofs, Defendant argued that Dr. Konigsberg's testimony and report should be disregarded insofar as he had not performed the proper intrinsic test. Oral argument on this motion was held on March 2, 2001. In a ruling from the bench, the court denied Defendant's motion stating that it had considered these issues in previous motions. *Trial Transcript*, Vol., XX at 29-30 (hereafter "*TT*").[5] An order denying Defendant's motion for JMOL "for reasons more

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(Cont'd)
background in the area that we are talking about, and perhaps more so than defendant's expert in that he has a film background.

And whether or not he used the appropriate test or whether he just plugged in that test after reading the other expert's report, I don't know. But by his, by his testimony in his deposition, which was done before the other expert report, I think was done before the other expert report was done, one could plug in the intrinsic-extrinsic test. So whether or not he used that terminology, I cannot say that reasonable people couldn't differ as to whether he applied that test.

And therefore, the Court is going to allow both of the experts to testify."

5. THE COURT: "I think that what we have here is, in the motion for directed verdict, obviously the. standard being the Court has to accept the evidence in the light most favorable to the plaintiff, that what we have are the motions that we've had before and that the Court has ruled on.

I think that the question is the substantial similarity between the movie and the script. . . . So I think that ultimately this is; as instructed, as the jury was instructed, a question of fact for the jury."

fully stated on the record" was entered on March 6, 2001. *Order Denying Defendant's Motion for Judgment as a Matter of Law on Copyright Infringement Claim.*

Insofar as Defendant has failed to offer new argument, the court sees no reason to revisit these rulings.

III. JURY INSTRUCTIONS ON EXTRINSIC/INTRINSIC

Defendant argues that the court erred by failing to instruct the jury in the application of the extrinsic/intrinsic test. Without such instruction, Defendant asserts; the jury presumably did not know that it was to conduct both an objective test, using expert testimony as to plot, theme, dialogue, mood, setting, pace, characters and sequence of events, and a subjective test, which did not make use of expert testimony.

The court had the opportunity to consider Defendant's arguments at the time it ruled on the jury instructions. In its proposed jury instructions, Defendant proffered instruction on and definitions of both the extrinsic and intrinsic tests. *Defendant Twentieth Century Fox Corporation's Proposed Jury Instructions* at 33-34.[6] *See also TT*, Vol. XVIII,

6. "First you should compare the substantial similarity of the works under an extrinsic test. This means that you should compare the specific, objective similarities of plot, themes, dialogue, mood, setting, pace, characters and sequence of events in the two works. This test compares, not the basic plot ideas for stories, but the actual concrete elements that make up the total sequence of events and the relationships between major characters. For this test, you may consider expert testimony on the subject.

(Cont'd)

at 121.[7] In addition, during discussions concerning the jury instructions, Defendant proposed an instruction which included the extrinsic/intrinsic test. *TT*; Vol. XVIII at 124-126. The court ruled that it would not give Defendant's proposed instruction on the extrinsic/intrinsic test. *Id.* at 126-127.[8] The court's ruling was grounded on its belief that, given the expert testimony, such instruction would not be

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(Cont'd)

Second, you should compare the works under: an intrinsic test. This test is. subjective; it depends solely on the response of the ordinary reasonable person. For this test you should disregard and expert testimony. In comparing a movie with a written :screenplay, the test is. whether the ordinary, reasonable audience would recognize the Jingle All The Way movie as a dramatization or picturization of the screenplay Could This Be Christmas."

7. MS. MICHELSON: "[W]e really think, given what we've decide pretrial, that we need to have an instruction on the intrinsic test and the extrinsic test, which our instruction incorporates."

8. THE COURT: "Okay. I'm going to allow plaintiff's [instruction] "to determine whether or not defendant has copied plaintiffs copyrighted work; you must focus on the overall similarities of the works:

MS. MICHELSON' How does the jury weigh similarities. Is that by number? . . .

THE COURT: Well; I don't think there's any, I think, exact way that they're going to do it. It's going to be up to their common senses what is a substantial similarity, and how many.

MS. MICHELSON: Just for the record, we would object. We think that elements listed in ours, they need to be instructed on what they consider. Otherwise, this instruction does suggest that you ignore anything that's different."

beneficial to the jury. *Id.* at 125.[9] The jury instruction given at trial did not include an extrinsic/intrinsic instruction. *TT*, Vol. XIX at 152.

Having ruled on this issue, the court sees no reason to revisit this ruling.

IV. THE JATW TREATMENT

Defendant argues that the court erred in failing to instruct the jury that the JATW treatment had been independently created, as the court held in its ruling on Defendant's motion for MOIL. Defendant contends that because the treatment was independently created, all elements that were common to both the treatment and CTBC should have been factored out of the substantial similarity analysis. Because the jury was not instructed to engage in the "factoring out", Defendant contends that it is impossible to ascertain whether the jury based its verdict on elements that were derived from the treatment. This uncertainty, Defendant argues, constitutes a miscarriage of justice warranting the grant of a new trial.

The court considered this issue in its ruling on *Defendant's Motion for Judgment as a Matter of Law on Copyright Infringement at Close of Plaintiff's Case. TT*, Vol. XX at 2930. In its brief in support of the motion, Defendant argued that any common elements between the treatment and CTBC should be factored out. The basis of this argument

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9. THE COURT: "[T]hey've heard all the testimony. I don't know what benefit this is to say, to do that after the jury has heard the expert."

was that there was no evidence of access by Defendant to the CTBC script prior to creation of the treatment. At oral argument Defendant's counsel reiterated this argument. *Id.* at 26-27.[10] The court ruled that the treatment was independently created insofar as "there's no showing of access at the time of the creation of the treatment. . . ." *Id.* at 29. However, the court denied Defendant's motion for JMOL, finding that the independent creation of the treatment was not dispositive on the question of infringement. *Id.* at 29-30.[11]

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10. MR. HUGET: "If [plaintiff] can't prove copying . . . before the treatment, they can't prove the treatment was copied, then it stands unchallenged that it was independently created. . . . Now how does that relate to the ultimate issue that the Court is, is, that we're here on? We'll, [sic] nothing that's considered in the, nothing that's in the movie that's also in the treatment can be considered to have been copied."

11. THE COURT: "But that still creates, that still is the issue of an affirmative defense, that you had this independent creation as, I mean this is what defense argument would be, is that you have this independent creation of the movie and your proof of it is, here's the treatment.

Now I think it's up to the jury to look at that as they've been instructed and as you argued, that the facts in the movie are not new from the script but actually, from the same thing that's in the treatment.

But I don't, I don't see that ruling changing anything. They have to compare the two. And in comparing the two, that is the movie and the script, they can see what's similar. Then they come to your issue that, 'Yeah; but we already had all of those expressions of this idea in our treatment,' and if they did, then they find that it wasn't copied."

Having ruled on this issue in denying Defendant's first motion for JMOL, the court, sees no reason to revisit this ruling.

V. INSTRUCTIONAL ERROR AS TO COPYING

Defendant asserts, for the first time, that the court erred in failing to properly instruct the jury on "actionable" copying, as opposed to "actual" copying. Defendant relies on a Second Circuit case, *Laureyssens v. Idea Group, Inc.*, 964 F.2d 131, 139-140 (2d Cir. 1992). The *Laureyssens* court first reiterated that to show copying, a plaintiff must show access to the copyrighted work and substantial similarity between the copyrighted and infringing works. The court then set forth a two-part test, incorporating "actual" and "actionable" copying:

> We have recently explained this recitation to mean that a plaintiff must first show that his work was actually copied by proving "access and substantial similarity between the works." The plaintiff must then show that the copying amounts to an "improper" or "unlawful" appropriation be demonstrating that substantial similarities relate to protectible material.

Id. at 139-140 (internal citations omitted).

The Sixth Circuit has not adopted such a bifurcated test. *See Wickham v. Knoxville Int'l. Energy Expo.*, 739 F.2d 1094, 1097 (6th Cir. 1984) ("In order to prove copying by the defendant, the plaintiff must prove access as well as

substantial similarity. Thus, copying is an essential element of infringement and substantial similarity between the plaintiffs and defendants' works is an essential element of copying.") To show infringement, Plaintiff must show copying, which requires only that Plaintiff show access and substantial similarity between the works. Thus, the jury was properly instructed according to the law and the court finds no error.

Defendant also asserts that the court erred improperly instructing the jury on the "inverse ratio rule". Defendant argues that the instruction was ambiguous, incomplete or misleading.

The instruction given by the court was contained within a broader instruction on what Plaintiff was required to prove to prevail on its infringement claim. *TT*, Vol. XIX at 150-153. The court instructed the jury that Plaintiff must show that "the writers of 'Jingle All The Way' copied [Plaintiff's] work." *Id.* at 151. Further, that an "inference of copying may arise" where Plaintiff shows both access and substantial similarity in protectible expression between the works. *Id.* The court then gave a definition of access. *Id.* at 151-152. The court then explained the relationship between access and substantial similarity, the language objected to by Defendant:

> The stronger the similarity between two works in question, the less compelling the proofs of access need be. In other words, when the similarity between two works is so striking that there is no plausible possibility of independent creation, the

> "striking similarity" may dispense with the need for proof of access:

Id. at 152.

The court finds no error in this instruction as it accurately states the law of this Circuit. Access and substantial similarity have an inversely proportional relationship: where access has been proven, "the similarity required to be shown is lessened" and vice versa. *Wickham*, 739 F.2d at 1098. *See also Wrench LLC v. Taco Bell Corp.*, 51 F.Supp.2d 840, 854 (W.D. Mich. 1999) (holding that "the degree of proof of access is inversely proportional to the strength of similarity between the two works at issue. Thus, where there are few similarities between the works, stronger proof of access will be required. Conversely, '[i]f the two works are so strikingly similar as to preclude the possibility of independent creation; "copying" may be proved without a showing of access.'"). Further, considering the disputed instruction in the context of the instructions as a whole, the court finds that it is not ambiguous, incomplete or misleading. *Fryman v. Federal Crop Ins. Corp.*, 936 F.2d 244; 248 (6th Cir. 1991) (citations omitted) ("The critical inquiry with regard to jury instructions is 'whether the instructions as a whole provide the jury with sufficient guidance concerning the issues to be tried.'").

VI. IMPROPERLY ADMITTED EVIDENCE

Defendant asserts that it was error for the court to allow the testimony of Brian Webster, the author of CTBC, comparing CTBC to JATW. Defendant asserts that Webster's testimony was improper insofar as it strayed into areas of

expert testimony, i.e. the extrinsic test, about which Webster was not qualified to testify.

The court had the opportunity to consider this same argument at the time of each of Defendant's six objections at trial. *TT*, Vol. III.[12] The court overruled Defendant's

12. MR. HUGET: "Your Honor if I could pose an objection. I think we're going off in a substantial similarity analysis here by the witness, and that's improper lay testimony. He can't talk about why he thinks something infringes, especially based on a newspaper article. He can't do it based on looking at the movie, that's not appropriate for this witness. He can talk about what went in his script all day long." *TT* Vol. II at 21.

MR. HUGET: "Objection, Your Honor. This is clearly getting into analysis. This is, under Rule 701, this is not proper lay opinion. This man is-you adopted the extrinsic test and we're having experts on this issue. This man is not qualified as a literary expert. The only thing this could come in under is the intrinsic part of the test, but that's for the jury, not for a witness." *TT*, Vol. III at 23:

MR. HUGET: "Your Honor, if I could renew the objection. Now he's going into specific categories under the extrinsic test. He has not been qualified as an expert. He has not even attempted to lay a foundation that he even knows what the proper analysis is. . . . This clearly goes to other specialized knowledge [under Rule 701]." *TT*, Vol. III at 25.

MR. HUGET: "Your Honor, I'm going to make. the same objection l made earlier. I'm also going to make an objection on the basis that the, this is being offered for similarity. He's comparing the script, the earlier version of a script with this script, and the Court has addressed that already." *TT*, Vol. Ill at 38.

MR. HUGET: "Object as well on the basis of Rule 701, Your Honor." *TT*, Vol. III at 40.

objections as to Webster's testimony, *id.* at 21, 23, 24, 25, but sustained Defendant's objections as to written summaries prepared by Webster. *Id.* at 38, 40. Having found that the testimony was properly admitted as Webster's own opinion, *id.* at 24[13], the court sees no reason to revisit this ruling.

Defendant next contends that it was error for the court to admit evidence pertaining to drafts of the JATW script, yet not give the jury a limiting instruction that the drafts were not to be used for the substantial similarity analysis. Defendant asserts that the court should have used its' proposed jury instruction: "In deciding this substantial similarity issue you should not consider drafts. You should only compare the Jingle All The Way movie, which you saw during trial, and the registered Could This Be Christmas screenplay, which was read to you during trial." *Defendant Twentieth Century Fox Film Corporation's Proposed Jury Instructions*, at 33.

The jury instructions given by the court explained to the jury, a number of times, that the allegedly infringing work at issue was the movie JATW. "Murray Hill claims that Fox's movie 'Jingle All The Way' infringes its federal copyright in its screenplay for 'Could This Be Christmas'." *TT*, Vol. XIX at 148; "Murray Hill has the burden of establishing . . . that the movie, 'Jingle All The Way', is substantially similar to the original protectible expression in the registered screenplay, 'Could This Be Christmas'." *Id.* at 150; "[A]n inference of copying may arise if Murray Hill proves

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13. THE COURT: "All right. He can testify as to his opinion. Overruled."

. . . that the movie 'Jingle All The Way' and the registered screenplay of 'Could This Be Christmas' are substantially similar in protectible expression." *Id.* at 151. Further, the jury verdict form clearly stated: "Do you find that Defendant Fox's film 'Jingle All the Way' infringed on Plaintiff's copyrighted screenplay 'Could This Be Christmas'?" Jury Verdict Form at 1. The jury instructions also contained an explanation of the verdict form, referencing this question. *TT*, Vol. XIX at 159. Considering the disputed lack of instruction in the context of the instructions as a whole, the court finds no error. Fryman, supra.

Defendant also argues that it was error for the court to admit evidence of Defendant's alleged access to the CTBC script through Alex Gartner and Tom Rothman and evidence which supported a theory of access through widespread distribution.

Pre-trial, the court had ruled that evidence concerning Defendant's access to CTBC prior to the treatment was too speculative and would be precluded. Transcript of Hearing for Motions in Limine, Vol. I at 69-72.[14] This included theories that Defendant had pretreatment access through Rothman, Gartner and/or widespread distribution. *Id.* The court clarified its ruling by stating that evidence concerning Plaintiff's interactions with Rothman and Gartner could be introduced for other purposes:

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14. THE COURT: "So the Court finds that access prior to Kornfield's writing, or registering of his treatment has not been shown and there's no reasonable possibility that it can be." The relevant transcript has been misdated as November 16, 2000. The correct date is January 16, 2001. The transcript is located at Docket No. 201.

> I think that the whole factual context of this, when I said what theories of access can be used, I did not mean to eliminate plaintiff's ability to show a sequence of events as a factual background. . . . Like he shows the meeting with Rothman and what happened. I'm not meaning to eliminate that. I'm just saying he's not going to be able to argue that access theory:"

Id. at 82. Defendant has not shown that Plaintiff's presentation of evidence on these matters and its argument to the jury went outside the boundaries of this ruling.

Accordingly, the court finds no error.

VII. DAMAGES

Finally, Defendant asserts that it is entitled to a new trial because the damage award is impermissible and unfounded. The court considered Defendant's arguments in conjunction with its motion for Judgment as a Matter of Law and held that the awards of future profits, lost goodwill, and lost merchandising royalties must be vacated. The court need not further consider Defendant's arguments here.

Appendix B

IX. CONCLUSION

For the reasons stated herein, the court DENIES Defendant's Motion for a New Trial in its entirety.

DATED: NOV 09 2001

s/ Marianne O. Battani
Hon. Marianne O. Battani

APPENDIX C — OPINION OF THE COURT DENYING IN PART AND GRANTING IN PART DEFENDANT'S RENEWED MOTION FOR JUDGMENT AS A MATTER OF LAW OF THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF MICHIGAN, SOUTHERN DIVISION FILED NOVEMBER 9, 2001

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

Case No. 97-cv-60405
Hon. Marianne O. Battani

MURRAY HILL PUBLICATIONS, INC.
a Michigan corporation,

Plaintiff,

-v-

TWENTIETH CENTURY FOX FILM CORPORATION,
a Delaware corporation a/k/a Fox, Inc.,

Defendant.

OPINION OF THE COURT DENYING IN PART AND GRANTING IN PART DEFENDANT'S RENEWED MOTION FOR JUDGMENT AS A MATTER OF LAW

Following a jury trial, a verdict was rendered for Plaintiff finding that Defendant's movie, "Jingle All the Way" (hereafter "JATW"), infringed on its copyrighted script for "Could This Be Christmas" (hereafter "CTBC"). A verdict

was returned for Plaintiff in the amount of $19,000,000. Defendant now brings this renewed motion for judgment as a matter of law pursuant to Fed. R: Civ. P 50(b).

I. STANDARD OF REVIEW

Following a jury verdict, judgment as a matter of law ("JMOL") is appropriate pursuant to Fed.R.Civ.P. 50(b) where "there is no legally sufficient evidentiary basis for a reasonable jury to find on that issue". *Am. Council of Certified Podiatric Physicians & Surgeons v. Am. Bd. of Podiatric Surgery*, 185 F. 3d 606, 614 (6th Cir. 1999). On such motion, "the district court must determine whether there was sufficient evidence to raise a material issue of fact for the jury." *Boburka v. Adcock*, 979 F. 2d 424, 426-27 (6th Cir. 1992). JMOL "may not be granted unless reasonable minds could not differ as to the conclusions to be drawn from the evidence." *In Re: Lewis*, 845 F.2d 624, 632 (6" Cir. 1988). And the court is to "view the evidence in the light most favorable to the opposing party, drawing all reasonable inferences in her favor." *Id.*

II. INFRINGEMENT

Defendant first asserts that it is entitled to JMOL on Plaintiff's infringement claim. Defendant merely reiterates arguments it has already advanced in its motion for a new trial. First, that the court's holding that the JATW treatment was independently created precludes a finding of copyright infringement. And, second, that proper application of the extrinsic/intrinsic test precludes a finding of infringement. Both of these arguments are based on the underlying premise

that the jury was improperly instructed. First, that the jury was improperly instructed as to the court's finding of independent creation of the treatment and the asserted necessity of "factoring out" certain elements in the treatment from the substantial similarity analysis. And, second, that the jury was improperly instructed as to the proper application of the extrinsic/intrinsic test. The court considered both of these arguments as advanced in Defendant's motion for a new trial and rejected them. Thus, the court need not and does not consider them further here.

III. DAMAGE AWARD

A. *The Jury Verdict*

The jury returned a verdict for Plaintiff in the total amount of $19,000,000. *Jury Verdict Form* at 2. As to actual damages suffered by Plaintiff as a result of the infringement, the jury awarded Plaintiff $4,000,000, which included: lost producer's fees, $1,000,000; lost writer's, fees, $500,000; lost goodwill, $2,000,000; and lost merchandising royalties, $500,000. *Id.* As to profits attributable to the infringement, the jury awarded no recovery on profits to date, and $15,000,000 in future profits. Id. Defendant now moves for JMOL asserting that there is no legal or evidentiary basis to support any portion of the damage award.

B. *Future Profits*

The Copyright Act, 17 U.S.C.A. § 504(b), provides that an infringed party is entitled to recover "any profits of the infringer that are attributable to the infringement and are not

taken into account in computing the actual damages." Whether or not this provision entitles Plaintiff to the infringer's future profits was raised for the first time during trial in argument concerning the jury verdict form. *Trial Transcript*, Vol. XIX at 17-22 (hereafter "TT"). Defendant objected to the inclusion of "future profits" on the verdict form as improper, insofar as the Copyright Act does not allow for future profits, and speculative, insofar as no evidence had been offered at trial concerning future profits. *Id.* at 17. The court ruled that the verdict form would separate Defendant's "profits to date" and "future profits" and that the legal issue, whether or not future profits could be awarded, would be ruled on post-trial. *Id.* at 21-22.

1. *"Any Profits" Under § 504(b)*

The Copyright Act provides for recovery of "any profits" attributable to the infringement. 17 U.S.C.A. § 504(b). Such language does not, however, support Plaintiff's position that future profits are recoverable under the Act. The Copyright Act outlines the required proofs for establishing the infringer's pro[illegible]. "[T]he copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses. . . ." 17 U.S.C.A. §504(b). There is no provision made for a calculation based on predicted revenues or anticipated expenses.

The Judiciary Committee notes in the House Report for § 504 state that "profits are awarded to prevent the infringer from unfairly benefitting from a wrongful act." H.R. No. 94-1476, at 161 (1976), reprinted in 17 U.S.C.A. § 504 at

146 (West 1996). The possibility of future infringement does not justify a present award of profits for the simple reason that an infringer may never benefit from profits not yet received. An award of the future profits, based solely on an anticipated infringement, does not "prevent the infringer from unfairly benefitting from a wrongful act" – the infringer has neither infringed the copyright again nor received the associated benefits.

Moreover, the infringer may never receive further benefits because the infringer could simply choose to refrain from further infringement. Any calculation involving future profits (which can only be a result of further infringement) would depend wholly on speculation. Such speculation involves not merely dollar amounts, for example predicted sales and projected expenses, but also necessarily involves speculation as to whether such future infringement, and resultant damages, would even take place. An award based on speculation that the defendant will infringe in the future serves only as a punitive award for the infringer's past infringement.

Nor is the case law cited by Plaintiff of any benefit. In the cases cited, the courts considered an award of the plaintiff's present lost profits attributable to the completed infringement, not the defendant's future profits attributable to a speculative future infringement. *Mary Ellen Enters. Inc. v. Camex, Inc.*, 68 F.3d 1065, 1070 (8th Cir. 1995); Abend v. MCA, Inc., 863 F.2d 1465, 1479 (9th Cir. 1988); *Abeshouse v. Ultragraphics, Inc.*, 754 F.2d 467, 470-471 (2d Cir. 1985); *Broan Mfg. Co. Inc., v. Associated Distribs., Inc.*, 923 F.2d

1232 (6th Cir. 1991).[1] In no case has a court awarded a defendant's potential future profits as part of the recovery allowed plaintiff under the "any profit" provision of § 504(b). This is only logical because such an award would almost require a defendant to continue its unlawful infringement in order to offset a punitive damage award. Such an award simply would not serve the purpose of the Copyright Act. Plaintiff's assertion that Defendant's past failure to cease and desist production of JATW is proof that Defendant will continue to infringe is not persuasive. Plaintiff's assertion that past infringement, alone, can establish future infringement and resultant damages with the required certainty is wholly without support.

Thus, Plaintiff's argument that it is entitled to Defendant's prospective future profits is not supported by the language of the Act and is based on the faulty assumption that Defendant will both infringe the copyright in the future and reap consequent future benefits.

2. *"Actual Damages" Under § 504(b) and Future Profits*

The Copyright Act allows a copyright owner to recover "actual damages" which are "a result of the infringement". 17 U.S.C.A. § 504(b). A plaintiff's actual damages "are the extent to which the market value of a copyrighted work has been injured or destroyed by the infringement." *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 512 (9th

1. *Broan*, in addition to not being on point, is a trademark infringement case.

Cir. 1985), quoting 3 M. Nimmer, Nimmer on Copyright, § 14.02, at 14-6 (1985). This loss in fair market value is "often measured by the profits lost as a result of the infringement." *Data Gen. v. Grumman Sys. Support*, 36 F.3d 1174, 1170 (1st Cir. 1994). Even so, there remains a distinction between a plaintiff's actual, present lost profits and a plaintiff's contemplated future lost profits. Actual damages do not normally include a plaintiff's future lost profits. *See* 4 M. Nimmer & D. Nimmer, *Nimmer on Copyright*, § 14.02A, at 14-8 (2000) ("The primary measure of recovery of actual damages is based upon the extent to which the market value of the copyrighted work, at the time of infringement, has been injured or destroyed by such infringement.") (emphasis added).

Some cases, however, suggest that a plaintiff's future lost profits may be included as a measure of the copyright holder's actual damages. *See Mary Ellen Enters. Inc.*, 68 F.3d at 1070; *Abend*, 863 F.2d at 1479; *Abeshouse*, 754 F.2d at 470-471. The Sixth Circuit, however, has not yet decided this question: "[W]e need not decide today whether [the copyright owner's] future lost profits are recoverable as a matter of law because [plaintiff] failed to prove that he is entitled to them as a matter of fact." *Cotter v. Christus Gardens, Inc.*, No. 99-5996, 2000 U.S. App. LEXIS 33473, at *11 (6th Cir. December 12, 2000): Furthermore, there remains a distinction between a plaintiff's lost profits and an infringer's potential future profits.

Nonetheless, Plaintiff proceeds by attempting to roll its future profits argument into a claim for actual damages,

asserting that Defendant's speculative future profits "precisely mirror", and are an adequate substitute for, Plaintiff's future lost profits, which themselves merely measure Plaintiff's actual damages as a result of destruction of the copyright, due to the infringing movie. This argument is not persuasive.

First, Plaintiff has failed to cite to any case law to suggest that Defendant's potential future profits are a valid substitute measure of Plaintiff's actual damages. To the contrary, courts inquire into the actual loss in the market value of the plaintiff's copyright, as measured by the plaintiff's present lost profits, when determining the plaintiff's actual damages. *See Mary Ellen Enters.*, 68 F.3d at 1070 (affirming a jury award of actual damages where there was evidence comparing the value of the copyrighted work before and after the infringement.) As set forth above, present and future profits are not necessarily fungible; nor are a plaintiff's and a defendant's profits.

Second, Plaintiff argues, in effect, that Defendant should be forced to buyout Plaintiff's copyright at a price equal to the potential future profits that Defendant could make if it continued to exploit the copyright. However, Plaintiff fails to support the contention that an award of future profits entitles the infringer to continue to infringe the copyright. Similarly, Plaintiff fails to support the contention that the court might award a complete, forced buyout of Plaintiff's copyright. Nowhere in the Copyright Act or in case law is such a result contemplated.

Third, it is undisputed that the jury made no award with respect to the market value of Plaintiff's copyright and any loss or injury thereto resulting from the infringement. The verdict form contained no reference to Plaintiff's lost profits, either present or future, or to the value of the copyright: Rather, the verdict form provided only for an award of Defendant's future profits attributable to infringement. *Jury Verdict Form* at 2. Furthermore, such profits were not included in the actual damages section of the verdict form. Indeed, the actual damages portion of the jury form inquired into loss of writer's and producer's fees for Plaintiff. These lost fees were explicitly awarded to Plaintiff. This, as is shown below, necessarily excludes an actual damages award consisting of Plaintiff's potential profits derived from, producing a film based on the CTBC script.

Finally, the proposition that Defendant's potential future profits mirror Plaintiffs actual damages runs counter both to Plaintiff's previous arguments and to the jury verdict form. Plaintiff has consistently argued that it is entitled to writer's and producer's fees, and was awarded those fees by the jury. *See Juror Verdict Form* at 2. However, Plaintiff could not both produce the CTBC script for a third party and produce the script for itself as an independent production company. Nor could Plaintiff both sell the script to a third party and own it itself. Thus, the actual damages Plaintiff was awarded, writer's and producer's fees it may have received for a script it sold, and the actual damages it now seeks, profits from a movie it may have produced based on a script it owned, are mutually exclusive. Plaintiff can not be entitled to compensatory damages for fees that it could have earned if

it had produced the script for a third party and profits it could have earned if it had produced the script for itself. Since Plaintiff was awarded its actual damages, i.e. fees that it could have earned if it had provided production services to a third party, it can not now argue that it is also entitled to compensation for profits, i.e. actual damages, it could have earned from keeping and producing the script itself. Further, any award of Defendant's potential future profits as an additional measure of Plaintiff's actual damages would be an impermissible double recovery under the Copyright Act insofar as Plaintiff has already been awarded all actual damages due. *See* H.R. No. 94-1476, at 161 (1976), reprinted in 17 U.S.C.A. § 504 at 146 (West 1996) ("Where the defendant's profits are nothing more than a measure of the damages suffered by the copyright owner, it would be inappropriate to award damages and profits cumulatively, since in effect they amount to the same thing.")

Thus, Plaintiff's argument that it is entitled to Defendant's potential future profits as compensatory actual damages is fundamentally flawed. It is not supported by the case law nor is it supported by the facts of the case.

2. Outstanding License Fees and Contractual Obligations

Plaintiff's final argument is that the future profits award is justified because Defendant will be paid license fees in the future from already completed contracts. Such license fees, Plaintiff argues, were not considered in the accounting presented at trial, which showed no profit for JATW. Whether the purported license fees, which require future payment on

completed contracts, are disallowed "future profits" or profits resulting from the completed infringement, and thus allowed by the Act, is an issue this court need not decide. There was no evidence produced at trial regarding completed license agreements or contracts resulting in future revenue flow not accounted for in Defendant's profit/loss accounting presented at trial.

It is undisputed that JATW has, to date, not made a profit. Plaintiff's expert, Philip Hacker, testified that Defendant's records, taking into account all projected income, showed a net loss for JATW. *TT*, Vol. IX at 82-86, 92-97. *See Also Trial Exhibit 292*. Defendant's witness, Stephen Kaplan, also testified that JATW had "lost money". *TT*, Vol. XVII at 51-52. That the jury found this to be true is evidenced by the fact that it awarded Plaintiff no damages for "Profits to Date". *Jury Verdict Form* at 2. This portion of the jury award is not in dispute. And Plaintiff has been unable to show any revenue from current licenses or contracts which have not been accounted for in Defendant's profit/loss accounting. The most that Plaintiff can point to is testimony from Defendant's witness Kaplan:

> Q [A]re the licenses that are in existence or the revenue from those licenses reflected on [sic] Exhibit 292?
>
> A A substantial portion are, but some would not be because the license period may not have commenced yet.

Appendix C

> Q [W]hich licenses would be reflected on Exhibit Number 292?
>
> A Those . . . would be licenses where we had agreements in place for which the broadcast period has already started, but when the license period or the time when the station can broadcast the movie has not yet started, they would not be recognized as revenue.

TT, Vol. XVII at 91-91.[2] This is simply insufficient to support a damages award of $15,000,000. It is speculative as to both whether profit will result from such licenses and what the amount of that profit might be. Any award of damages based on this testimony is too speculative to stand. *See Broan Mfg.*, 923 F.2d at 1235 ("As a general rule, 'damages are not permitted which are remote and speculative in nature.'") (citation omitted).

The remainder of the evidence pointed to by Plaintiff is testimony which simply states that JATW will produce revenue in the future. Plaintiff continues to argue that this anticipated revenue is greater than is provided for in

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2. Plaintiff has also provided to this court several "Proposed Trial Exhibits". It is undisputed that these exhibits were never offered into evidence at trial and are not part of the trial record. Such documents are not properly considered on a motion for JMOL. "In considering whether sufficient evidence was presented to a jury to support a verdict, a court may not consider evidence not before the jury." *Cert. Podiatric Physicians v. Podiatric Surg.*, 185 F.3d 606, 612-613 (6th Cir. 1999). The court will not consider the proposed exhibits.

Defendant's profit/loss accounting. The sum of Plaintiffs argument, then, is that it may receive as damages what it estimates will be the future profits of JATW. And Plaintiff again asserts that JATW will produce profits, based not on any current licensing agreements or contracts, but based on speculation as to future performance – so long as Defendant continues to infringe. As set forth above, this is incorrect and the court rejects that position.

In summation, then, the award of future damages serves neither to keep Defendant from profiting from its already completed infringement nor to make Plaintiff whole for any actual damages suffered. Thus, it serves neither of the articulated purposes of the Copyright Act. Plaintiff's assertion that there are outstanding license fees and contractual obligations which entitle Plaintiff to a future profits award of $15,000,000 is not supported by the trial record. Accordingly, the award of future profits can not stand.

C. *Actual Damages*

1. *Writer's and Producer's Fees*

Defendant asserts that it is entitled to JMOL on the award of writer's and producer's fees insofar as such an award is based on speculation and is not supported by evidence adduced at trial. The court entertained an identical motion at the close of Plaintiff's proofs in conjunction with Defendant's first motion for JMOL. Defendant's *Motion to Strike Plaintiff's Claims for Actual Damages*, filed on February 8, 2001, sought dismissal of the actual damages claims, asserting Plaintiff's failure to present proof as to causation,

the fees Plaintiff would have received for producing CTBC, and standing to receive writer's fees. The court heard that, motion on March 3, 2001 and denied it in a ruling from the bench. TT, Vol. XX at 45.[3] The court sees no reason to revisit that ruling and Defendant's renewed motion for JMOL on this issue will be denied.

2. *Goodwill*

Prior to trial, in its *Motion in Limine to Preclude Plaintiffs Speculative Damage Theories*, filed on December 8, 2000, Defendant sought to preclude Plaintiffs damage theory of loss of producer's credit as too speculative. The court heard the motion on January 10, 2001. During oral argument, Plaintiff argued, in part, that damages for loss of producer's credit were allowed insofar as damages for loss of goodwill were allowed under § 504(b). *Motion Transcript*, January 10, 2001 at 135-137. In a ruling from the bench, the court held that producer's credit was too speculative and that Plaintiff would be precluded from offering evidence on this theory. *Id.* at 146-147.[4] Plaintiff was then, in fact, precluded from offering evidence at trial. *TT*, Vol. IX at 48-53.

3. THE COURT: "In terms of things like producer's fees and writer's fees, this Court cannot say that there's not a question of fact. That Mr. Laurel can certainly testify to his experience. I don't think it takes an expert to determine is that experience equivalent to Chris Columbus' experience? And that is a question of fact that the jury will have to deal with. This Court cannot say that reasonable people could not differ as to this issue, and therefore the motion is denied."

4. THE COURT: "As to the producer's credit, I find the producer's credit evidence all speculative. The Court is not going to allow the plaintiff to testify as to what he would have received in producer's credit, or what he would have made in producer's credit. (Cont'd)

Appendix C

At trial, damages for "loss of goodwill" were included as actual damages on the jury verdict form. Defendant did not object. Defendant now argues that damages for "loss of goodwill" are improper insofar as such damages are actually based on the asserted loss of producing credit, which the Court had precluded. Defendant argues that no evidence for loss of goodwill under another theory was submitted at trial. Plaintiff asserts that the goodwill damages compensate it for the loss in value of the production company. This loss in value is assertedly attributable to Plaintiff's being precluded from receiving recognition in the community and developing a brand name through production of the CTBC script.

(Cont'd)

It's clear that from Mr. Hacker's testimony and the agreement of defendant that the producer's credit is a valuable asset. The question is, how do you determine the value of that asset? And what I hear here is the, Mr. Hacker, the plaintiff's expert saying that he's not an expert in producer's credit; at least from the quotes that were in the pleadings.

The Court finds no evidence that somebody who produces one movie, that this becomes a springboard to the production of other movies and how much those other movies would net.

The Court notes that in this case the plaintiff produced "The Rosary Murders," a movie of some note, and apparently that wasn't a springboard enough for him to have other movies, some up until years later.

The Court notes that he can testify as to his own business, but he's not an expert to testify as, to other's business, like Mr. Zide, and his business. So absent some area of expertise, which I don't find so far in these pleadings, the Court is not going to allow him to testify as to the producer's credit."

Appendix C

Plaintiff's attempt to distinguish goodwill from producer's credit is not persuasive. Plaintiff has failed to cite any evidence in the record which supports its theory of goodwill. To the contrary, the nature of the lost goodwill discussed both pre-trial and during the trial was loss of producing credit that Plaintiff's president Laurel would have received had he provided production service for the CTBC script.

Further, Plaintiff's claim for lost goodwill associated with producing the film is contrary to Plaintiff's other damages arguments and damages awarded at trial. Since Plaintiff could not both sell the script, garnering writer's and producer's fees, and produce the CTBC script itself. Plaintiff could not suffer losses from both. Plaintiff has been compensated for fees that it could have earned if it had sold the script. It is not entitled to compensation for lost goodwill that it could have earned from producing the script itself.

3. *Merchandising Royalties*

Finally, Defendant moves for JMOL asserting that the award of merchandising royalties was an impermissible double recovery. The court agrees. Plaintiff's claim for lost merchandising associated with producing the film is contrary to Plaintiff's other damages arguments and damages awarded at trial. Plaintiff could not both sell the script, garnering writer's and producer's fees, and produce the CTBC script itself, garnering merchandising royalties associated with its property. Thus, Plaintiff could not suffer losses from both. Plaintiff has been compensated for fees that it could have earned if it had sold the script. It is not entitled to

compensation for merchandising that it could have realized had it produced the script itself.

IV. CONCLUSION

In conclusion, the court grants JMOL for Defendant on the following damages claims: future profits, loss of goodwill and loss of merchandising royalties. The court denies JMOL for Defendant on the question of copyright infringement and damages for writer's and producer's fees.

DATED: NOV 09 2001

s/ Marianne O. Battani
Hon. Marianne O. Battani

APPENDIX D — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT DENYING PETITION FOR REHEARING FILED JUNE 18, 2004

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

Nos. 01-2668/2721

MURRAY HILL PUBLICATIONS, INCORPORATED,

Plaintiff-Appellee/Cross-Appellant,

v.

TWENTIETH CENTURY FOX FILM CORPORATION,

Defendant-Appellant/Cross-Appellee.

BEFORE: BOGGS, Chief Judge; SILER, Circuit Judge; and RICE,* District Judge

The court having received a petition for rehearing en banc, and the petition having been circulated not only to the original panel members but also to all other active judges of this court, and no judge of this court having requested a vote on the suggestion for rehearing en banc, the petition for rehearing has been referred to the original panel.

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* Hon. Walter H. Rice, Chief United States District Judge for the Southern District of Ohio, sitting by designation.

Appendix D

The panel has further reviewed the petition for rehearing and concludes that the issues raised in the petition were fully considered upon the original submission and decision of the cases. Accordingly, the petition is denied.

ENTERED BY ORDER OF THE COURT

s/ Leonard Green
Leonard Green, Clerk

APPENDIX E — CONSTITUTIONAL PROVISION INVOLVED

U.S. Constitution, Article I, Section 8, Clause 8

* * *

To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries[.]

* * * *